
HOUSE BILL No. 1448

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-1.1; IC 6-3.5-9; IC 6-8.1-1-1.

Synopsis: County property tax replacement tax. Allows a county council to impose a property tax replacement income tax for the county. Provides that the tax may not exceed 0.75% of adjusted gross income. Allows the county council to use 67% of the revenues from the tax for property tax replacement credits, 20% for the purposes of the county general fund, and 13% either for budgetary expenditures of cities and towns in the county or additional property tax relief. Provides that the property tax replacement credits are to be applied before the application of state homestead or state property tax replacement credits.

Effective: Upon passage; July 1, 2005; January 1, 2006.

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January 18, 2005, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 114th General Assembly (2005)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2004 Regular Session of the General Assembly.

HOUSE BILL No. 1448

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-20.9-2 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 2. (a) Except as
3 otherwise provided in section 5 of this chapter, an individual who on
4 March 1 of a particular year either owns or is buying a homestead
5 under a contract that provides the individual is to pay the property taxes
6 on the homestead is entitled each calendar year to a credit against the
7 property taxes which the individual pays on the individual's homestead.
8 However, only one (1) individual may receive a credit under this
9 chapter for a particular homestead in a particular year.
10 (b) The amount of the credit to which the individual is entitled
11 equals the product of:
12 (1) the percentage prescribed in subsection (d); multiplied by
13 (2) the amount of the individual's property tax liability, as that
14 term is defined in IC 6-1.1-21-5, which is:
15 (A) attributable to the homestead during the particular
16 calendar year; and
17 (B) determined after the application of the property tax



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replacement credit under IC 6-1.1-21 **and IC 6-3.5-9.**

(c) For purposes of determining that part of an individual's property tax liability that is attributable to the individual's homestead, all deductions from assessed valuation which the individual claims under IC 6-1.1-12 or IC 6-1.1-12.1 for property on which the individual's homestead is located must be applied first against the assessed value of the individual's homestead before those deductions are applied against any other property.

(d) The percentage of the credit referred to in subsection (b)(1) is as follows:

YEAR	PERCENTAGE OF THE CREDIT
1996	8%
1997	6%
1998 through 2002	10%
2003 and thereafter	20%

However, the property tax replacement fund board established under IC 6-1.1-21-10, in its sole discretion, may increase the percentage of the credit provided in the schedule for any year, if the board feels that the property tax replacement fund contains enough money for the resulting increased distribution. If the board increases the percentage of the credit provided in the schedule for any year, the percentage of the credit for the immediately following year is the percentage provided in the schedule for that particular year, unless as provided in this subsection the board in its discretion increases the percentage of the credit provided in the schedule for that particular year. However, the percentage credit allowed in a particular county for a particular year shall be increased if on January 1 of a year an ordinance adopted by a county income tax council was in effect in the county which increased the homestead credit. The amount of the increase equals the amount designated in the ordinance.

(e) Before October 1 of each year, the assessor shall furnish to the county auditor the amount of the assessed valuation of each homestead for which a homestead credit has been properly filed under this chapter.

(f) The county auditor shall apply the credit equally to each installment of taxes that the individual pays for the property.

(g) Notwithstanding the provisions of this chapter, a taxpayer other than an individual is entitled to the credit provided by this chapter if:

- (1) an individual uses the residence as the individual's principal place of residence;
- (2) the residence is located in Indiana;
- (3) the individual has a beneficial interest in the taxpayer;

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(4) the taxpayer either owns the residence or is buying it under a contract, recorded in the county recorder's office, that provides that the individual is to pay the property taxes on the residence; and
 (5) the residence consists of a single-family dwelling and the real estate, not exceeding one (1) acre, that immediately surrounds that dwelling.

SECTION 2. IC 6-1.1-21-2 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2006]: Sec. 2. As used in this chapter:

(a) "Taxpayer" means a person who is liable for taxes on property assessed under this article.

(b) "Taxes" means property taxes payable in respect to property assessed under this article. The term does not include special assessments, penalties, or interest, but does include any special charges which a county treasurer combines with all other taxes in the preparation and delivery of the tax statements required under IC 6-1.1-22-8(a).

(c) "Department" means the department of state revenue.

(d) "Auditor's abstract" means the annual report prepared by each county auditor which under IC 6-1.1-22-5, is to be filed on or before March 1 of each year with the auditor of state.

(e) "Mobile home assessments" means the assessments of mobile homes made under IC 6-1.1-7.

(f) "Postabstract adjustments" means adjustments in taxes made subsequent to the filing of an auditor's abstract which change assessments therein or add assessments of omitted property affecting taxes for such assessment year.

(g) "Total county tax levy" means the sum of:

(1) the remainder of:

(A) the aggregate levy of all taxes for all taxing units in a county which are to be paid in the county for a stated assessment year as reflected by the auditor's abstract for the assessment year, adjusted, however, for any postabstract adjustments which change the amount of the aggregate levy; minus

(B) the sum of any increases in property tax levies of taxing units of the county that result from appeals described in:

(i) IC 6-1.1-18.5-13(4) and IC 6-1.1-18.5-13(5) filed after December 31, 1982; plus

(ii) the sum of any increases in property tax levies of taxing units of the county that result from any other appeals

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described in IC 6-1.1-18.5-13 filed after December 31, 1983; plus

(iii) IC 6-1.1-18.6-3 (children in need of services and delinquent children who are wards of the county); minus

(C) the total amount of property taxes imposed for the stated assessment year by the taxing units of the county under the authority of IC 12-1-11.5 (repealed), IC 12-2-4.5 (repealed), IC 12-19-5, or IC 12-20-24; minus

(D) the total amount of property taxes to be paid during the stated assessment year that will be used to pay for interest or principal due on debt that:

(i) is entered into after December 31, 1983;

(ii) is not debt that is issued under IC 5-1-5 to refund debt incurred before January 1, 1984; and

(iii) does not constitute debt entered into for the purpose of building, repairing, or altering school buildings for which the requirements of IC 20-5-52 were satisfied prior to January 1, 1984; minus

(E) the amount of property taxes imposed in the county for the stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(F) the remainder of:

(i) the total property taxes imposed in the county for the stated assessment year under authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(ii) the total property taxes imposed in the county for the 1984 stated assessment year under the authority of IC 21-2-6 (repealed) or any citation listed in IC 6-1.1-18.5-9.8 for a cumulative building fund whose property tax rate was not initially established or reestablished for a stated assessment year that succeeds the 1983 stated assessment year; minus

(G) the amount of property taxes imposed in the county for the stated assessment year under:

(i) IC 21-2-15 for a capital projects fund; plus

(ii) IC 6-1.1-19-10 for a racial balance fund; plus

(iii) IC 20-14-13 for a library capital projects fund; plus

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(iv) IC 20-5-17.5-3 for an art association fund; plus
 (v) IC 21-2-17 for a special education preschool fund; plus
 (vi) IC 21-2-11.6 for a referendum tax levy fund; plus
 (vii) an appeal filed under IC 6-1.1-19-5.1 for an increase in
 a school corporation's maximum permissible general fund
 levy for certain transfer tuition costs; plus
 (viii) an appeal filed under IC 6-1.1-19-5.4 for an increase
 in a school corporation's maximum permissible general fund
 levy for transportation operating costs; minus

(H) the amount of property taxes imposed by a school
 corporation that is attributable to the passage, after 1983, of a
 referendum for an excessive tax levy under IC 6-1.1-19,
 including any increases in these property taxes that are
 attributable to the adjustment set forth in IC 6-1.1-19-1.5 or
 any other law; minus

(I) for each township in the county, the lesser of:

(i) the sum of the amount determined in IC 6-1.1-18.5-19(a)
 STEP THREE or IC 6-1.1-18.5-19(b) STEP THREE,
 whichever is applicable, plus the part, if any, of the
 township's ad valorem property tax levy for calendar year
 1989 that represents increases in that levy that resulted from
 an appeal described in IC 6-1.1-18.5-13(4) filed after
 December 31, 1982; or

(ii) the amount of property taxes imposed in the township for
 the stated assessment year under the authority of
 IC 36-8-13-4; minus

(J) for each participating unit in a fire protection territory
 established under IC 36-8-19-1, the amount of property taxes
 levied by each participating unit under IC 36-8-19-8 and
 IC 36-8-19-8.5 less the maximum levy limit for each of the
 participating units that would have otherwise been available
 for fire protection services under IC 6-1.1-18.5-3 and
 IC 6-1.1-18.5-19 for that same year; minus

(K) for each county, the sum of:

(i) the amount of property taxes imposed in the county for
 the repayment of loans under IC 12-19-5-6 (repealed) that is
 included in the amount determined under IC 12-19-7-4(a)
 STEP SEVEN for property taxes payable in 1995, or for
 property taxes payable in each year after 1995, the amount
 determined under IC 12-19-7-4(b); and

(ii) the amount of property taxes imposed in the county
 attributable to appeals granted under IC 6-1.1-18.6-3 that is

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- 1 included in the amount determined under IC 12-19-7-4(a)
 2 STEP SEVEN for property taxes payable in 1995, or the
 3 amount determined under IC 12-19-7-4(b) for property taxes
 4 payable in each year after 1995; plus
 5 (2) all taxes to be paid in the county in respect to mobile home
 6 assessments currently assessed for the year in which the taxes
 7 stated in the abstract are to be paid; plus
 8 (3) the amounts, if any, of county adjusted gross income taxes that
 9 were applied by the taxing units in the county as property tax
 10 replacement credits to reduce the individual levies of the taxing
 11 units for the assessment year, as provided in IC 6-3.5-1.1; plus
 12 (4) the amounts, if any, by which the maximum permissible ad
 13 valorem property tax levies of the taxing units of the county were
 14 reduced under IC 6-1.1-18.5-3(b) STEP EIGHT for the stated
 15 assessment year; plus
 16 (5) the difference between:
 17 (A) the amount determined in IC 6-1.1-18.5-3(e) STEP FOUR;
 18 minus
 19 (B) the amount the civil taxing units' levies were increased
 20 because of the reduction in the civil taxing units' base year
 21 certified shares under IC 6-1.1-18.5-3(e); **minus**
 22 **(6) the amount of property tax replacement income tax**
 23 **revenues designated for additional property tax replacement**
 24 **credits under IC 6-3.5-9.**
 25 (h) "December settlement sheet" means the certificate of settlement
 26 filed by the county auditor with the auditor of state, as required under
 27 IC 6-1.1-27-3.
 28 (i) "Tax duplicate" means the roll of property taxes which each
 29 county auditor is required to prepare on or before March 1 of each year
 30 under IC 6-1.1-22-3.
 31 (j) "Eligible property tax replacement amount" is equal to the sum
 32 of the following:
 33 (1) Sixty percent (60%) of the total county tax levy imposed by
 34 each school corporation in a county for its general fund for a
 35 stated assessment year.
 36 (2) Twenty percent (20%) of the total county tax levy (less sixty
 37 percent (60%) of the levy for the general fund of a school
 38 corporation that is part of the total county tax levy) imposed in a
 39 county on real property for a stated assessment year.
 40 (3) Twenty percent (20%) of the total county tax levy (less sixty
 41 percent (60%) of the levy for the general fund of a school
 42 corporation that is part of the total county tax levy) imposed in a

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county on tangible personal property, excluding business personal property, for an assessment year.

(k) "Business personal property" means tangible personal property (other than real property) that is being:

- (1) held for sale in the ordinary course of a trade or business; or
- (2) held, used, or consumed in connection with the production of income.

(l) "Taxpayer's property tax replacement credit amount" means the sum of the following:

(1) Sixty percent (60%) of a taxpayer's tax liability in a calendar year for taxes imposed by a school corporation for its general fund for a stated assessment year.

(2) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on real property.

(3) Twenty percent (20%) of a taxpayer's tax liability for a stated assessment year for a total county tax levy (less sixty percent (60%) of the levy for the general fund of a school corporation that is part of the total county tax levy) on tangible personal property other than business personal property.

(m) "Tax liability" means tax liability as described in section 5 of this chapter.

(n) "General school operating levy" means the ad valorem property tax levy of a school corporation in a county for the school corporation's general fund.

SECTION 3. IC 6-3.5-9 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]:

Chapter 9. Property Tax Replacement Income Tax

Sec. 1. As used in this chapter, "adjusted gross income" has the meaning set forth in IC 6-3-1-3.5(a). However, in the case of a county taxpayer who is not a resident of a county that has imposed the property tax replacement income tax, the term includes only adjusted gross income derived from the taxpayer's principal place of business or employment.

Sec. 2. As used in this chapter, "civil taxing unit" means any entity having the power to impose ad valorem property taxes. The term does not include:

- (1) a solid waste management district that is not entitled to a distribution under section 9 of this chapter; or
- (2) a school corporation.

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1 However, in the case of a consolidated city, the term includes the
 2 consolidated city and all special taxing districts, all special service
 3 districts, and all other entities of the consolidated city whose
 4 budgets and property tax levies are subject to review under
 5 IC 36-3-6-9.

6 Sec. 3. As used in this chapter, "county taxpayer" as it relates
 7 to a county for a year means an individual:

8 (1) who resides in the county on the date specified in section
 9 23 of this chapter; or

10 (2) who:

11 (A) maintains a principal place of business or employment
 12 in the county on the date specified in section 23 of this
 13 chapter; and

14 (B) does not on that same date reside in another county in
 15 which the property tax replacement income tax is in effect.

16 Sec. 4. As used in this chapter, "department" refers to the
 17 department of state revenue.

18 Sec. 5. As used in this chapter, "fiscal body" has the meaning set
 19 forth in IC 36-1-2-6.

20 Sec. 6. As used in this chapter, "nonresident county taxpayer"
 21 as it relates to a county for a year means a county taxpayer for the
 22 county for that year who is not a resident county taxpayer of the
 23 county for that year.

24 Sec. 7. As used in this chapter, "resident county taxpayer" as it
 25 relates to a county for a year means any county taxpayer who
 26 resides in that county on the date specified in section 23 of this
 27 chapter.

28 Sec. 8. As used in this chapter, "school corporation" has the
 29 meaning set forth in IC 36-1-2-17.

30 Sec. 9. (a) This section applies to a county solid waste
 31 management district (as defined in IC 13-11-2-47) or a joint solid
 32 waste management district (as defined in IC 13-11-2-113).

33 (b) A district may not receive a distribution under this chapter
 34 unless a majority of the members of each of the county fiscal bodies
 35 of the counties within the district passes a resolution approving the
 36 distribution.

37 Sec. 10. (a) A county fiscal body of a county may adopt an
 38 ordinance under this chapter to do the following:

39 (1) Impose a property tax replacement income tax or increase
 40 the rate of a property tax replacement income tax imposed in
 41 the county.

42 (2) Terminate a property tax replacement income tax or

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1 reduce the rate of a property tax replacement income tax
2 imposed in the county.

3 (b) An ordinance adopted under this section must be adopted
4 after January 1 and before April 1 of a calendar year.

5 (c) Except as otherwise provided in this chapter, the adoption,
6 amendment, or repeal of an ordinance under this section takes
7 effect July 1 of the year the ordinance is adopted, amended, or
8 repealed.

9 (d) An ordinance under this section must specify the date that
10 each part of the ordinance takes effect.

11 (e) The auditor of a county shall record all votes taken on
12 ordinances under this chapter and immediately send by certified
13 mail a certified copy of the results to the department and the
14 department of local government finance.

15 (f) An ordinance adopted or amended under this section
16 remains in effect until repealed or amended in a later action under
17 this section.

18 Sec. 11. (a) The property tax replacement income tax may be
19 imposed, increased, or reduced in any increment of one-tenth of
20 one percent (0.1%) on the adjusted gross income of a county
21 taxpayer in the county. The property tax replacement income tax
22 rate imposed on resident county taxpayers must be greater than or
23 equal to the rate imposed on nonresident county taxpayers.
24 However, the maximum property tax replacement income tax that
25 may be imposed on a nonresident county taxpayer is three-tenths
26 of one percent (0.3%) and the maximum tax that may be imposed
27 on a resident county taxpayer is seventy-five hundredths of one
28 percent (0.75%).

29 (b) The initial ordinance that imposes a property tax
30 replacement income tax must separately state the rate at which the
31 property tax replacement income tax is being imposed on resident
32 county taxpayers and nonresident county taxpayers.

33 (c) An ordinance that increases or reduces the property tax
34 replacement income tax rate in a county must state the current rate
35 and the rate to which the property tax replacement income tax is
36 being increased or decreased.

37 Sec. 12. A county fiscal body may impose or increase a property
38 tax replacement income tax even if a county adjusted gross income
39 tax, county option income tax, or county economic development
40 income tax is in effect in the county.

41 Sec. 13. (a) Except as provided in subsections (b) and (c), if the
42 property tax replacement income tax is not in effect during a

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1 county taxpayer's entire taxable year, the amount of property tax
 2 replacement income tax that the county taxpayer owes for that
 3 taxable year is the result determined under STEP FIVE of the
 4 following formula:

5 STEP ONE: Determine the amount of property tax
 6 replacement income tax the county taxpayer would owe if the
 7 tax had been imposed during the county taxpayer's entire
 8 taxable year.

9 STEP TWO: Determine the number of days during the county
 10 taxpayer's taxable year during which the property tax
 11 replacement income tax was in effect.

12 STEP THREE: Determine the total number of days in the
 13 county taxpayer's taxable year.

14 STEP FOUR: Divide the STEP TWO amount by the STEP
 15 THREE amount, rounded to the nearest one hundredth (0.01).

16 STEP FIVE: Multiply the STEP ONE amount by the quotient
 17 determined under STEP FOUR, rounding to the nearest one
 18 dollar (\$1).

19 (b) If a county taxpayer:

20 (1) is unemployed for a part of the taxpayer's taxable year;

21 (2) was not discharged for just cause (as defined in
 22 IC 22-4-15-1(d)); and

23 (3) has no earned income for the part of the taxpayer's taxable
 24 year that the property tax replacement income tax was in
 25 effect;

26 the county taxpayer's adjusted gross income for the taxable year
 27 is reduced by the amount of the taxpayer's earned income for the
 28 taxable year.

29 (c) A taxpayer who qualifies under subsection (b) must file a
 30 claim for a refund for the difference between the property tax
 31 replacement income tax owed, as determined under subsection (a),
 32 and the tax owed, as determined under subsection (b). A claim for
 33 a refund must be on a form approved by the department and
 34 include all supporting documentation reasonably required by the
 35 department.

36 Sec. 14. (a) Except as provided in subsection (b), if for a
 37 particular taxable year a county taxpayer is liable for an income
 38 tax imposed by a county, a city, a town, or another local
 39 governmental entity located outside Indiana, the county taxpayer
 40 is entitled to a credit against the county taxpayer's property tax
 41 replacement income tax liability for that same taxable year. The
 42 amount of the credit equals the amount of tax imposed by the other

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1 governmental entity on income derived from sources outside
 2 Indiana and subject to the property tax replacement income tax.
 3 However, the credit provided by this section may not reduce a
 4 county taxpayer's property tax replacement income tax liability to
 5 an amount less than would have been owed if the income subject to
 6 taxation by the other governmental entity had been ignored.

7 (b) The credit provided by this section does not apply to a
 8 county taxpayer to the extent that the other governmental entity
 9 provides for a credit to the county taxpayer for the amount of
 10 property tax replacement income taxes owed under this chapter.

11 (c) To claim the credit provided by this section, a county
 12 taxpayer must provide the department with satisfactory evidence
 13 that the county taxpayer is entitled to the credit.

14 Sec. 15. (a) If for a particular taxable year a county taxpayer is,
 15 or a county taxpayer and county taxpayer's spouse who file a joint
 16 return are, allowed a credit for the elderly or the totally disabled
 17 under Section 22 of the Internal Revenue Code, the county
 18 taxpayer is, or the county taxpayer and county taxpayer's spouse
 19 are, entitled to a credit against the county taxpayer's liability or the
 20 liability of the county taxpayer and the county taxpayer's spouse
 21 for property tax replacement income tax for that same taxable
 22 year. The amount of the credit equals the result determined under
 23 STEP SIX of the following formula:

24 STEP ONE: Determine the county taxpayer's credit or the
 25 credit of the county taxpayer and the county taxpayer's
 26 spouse for the elderly or the totally disabled for that same
 27 taxable year.

28 STEP TWO: Determine the property tax replacement income
 29 tax rate imposed against the county taxpayer or the county
 30 taxpayer and county taxpayer's spouse.

31 STEP THREE: Divide the STEP TWO amount by
 32 fifteen-hundredths (0.15).

33 STEP FOUR: Multiply the STEP ONE amount by the STEP
 34 THREE quotient, rounding to the nearest one hundredth
 35 (0.01).

36 STEP FIVE: Determine the amount of property tax
 37 replacement income tax imposed on the county taxpayer or
 38 the county taxpayer and the county taxpayer's spouse,
 39 rounding to the nearest one dollar (\$1).

40 STEP SIX: Determine the lesser of the STEP FOUR product
 41 or the STEP FIVE amount.

42 (b) If a county taxpayer and county taxpayer's spouse file a joint

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1 return and are subject to different property tax replacement
 2 income tax rates for the same taxable year, the credit under this
 3 section shall be computed by using the formula provided by
 4 subsection (a), except that the average of the two (2) property tax
 5 replacement income tax rates imposed against the county taxpayer
 6 and the county taxpayer's spouse shall be used as the STEP TWO
 7 amount.

8 **Sec. 16. (a)** A special account within the state general fund shall
 9 be established for each county adopting a property tax replacement
 10 income tax. Any revenue derived from the imposition of the
 11 property tax replacement income tax by a county shall be deposited
 12 in that county's account in the state general fund.

13 **(b)** Income earned on money held in an account under
 14 subsection (a) becomes part of the account.

15 **(c)** Revenue remaining in an account established under
 16 subsection (a) at the end of a fiscal year does not revert to the state
 17 general fund.

18 **Sec. 17. (a)** Revenue derived from the imposition of a property
 19 tax replacement income tax shall, in the manner prescribed by this
 20 section, be distributed to the county that imposed the tax. The
 21 amount to be distributed to a county during an ensuing year equals
 22 the amount of property tax replacement income tax revenue that
 23 the department, after reviewing the recommendation of the budget
 24 agency, determines has been:

25 (1) received from the county for a taxable year ending in a
 26 calendar year preceding the calendar year in which the
 27 determination is made; and

28 (2) reported on an annual return or amended return
 29 processed by the department in the state fiscal year ending
 30 before July 1 of the calendar year in which the determination
 31 is made;

32 as adjusted (as determined after review of the recommendation of
 33 the budget agency) for refunds of property tax replacement income
 34 tax made in the state fiscal year.

35 **(b)** Before August 2 of each calendar year, the department, after
 36 reviewing the recommendation of the budget agency, shall certify
 37 to the county auditor of each adopting county the amount
 38 determined under subsection (a) plus the amount of interest in the
 39 county's account that has accrued and has not been included in a
 40 certification made in a preceding year. The amount certified is the
 41 county's certified distribution for the immediately succeeding
 42 calendar year. The certified distribution shall be adjusted, as

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necessary, under subsections (c), (d), and (e). The department shall provide with the certification an informative summary of the calculations used to determine the certified distribution.

(c) The department shall certify an amount less than the amount determined under subsection (b) if the department, after reviewing the recommendation of the budget agency, determines that the reduced distribution is necessary to offset overpayments made in a calendar year before the calendar year of the distribution. The department, after reviewing the recommendation of the budget agency, may reduce the amount of the certified distribution over several calendar years so that any overpayments are offset over several years rather than in one (1) lump sum.

(d) The department, after reviewing the recommendation of the budget agency, shall adjust the certified distribution of a county to correct for any clerical or mathematical errors made in any previous certification under this section. The department, after reviewing the recommendation of the budget agency, may reduce the amount of the certified distribution over several calendar years so that any adjustment under this subsection is offset over several years rather than in one (1) lump sum.

(e) This subsection applies to a county that initially imposed a tax under this chapter in the same calendar year in which the department makes a certification under this section. The department, after reviewing the recommendation of the budget agency, shall adjust the certified distribution of a county to provide for a distribution in the immediately following calendar year and in each calendar year thereafter. The department shall provide for a full transition to certification of distributions as provided in subsection (a)(1) and (a)(2) in the manner provided in subsection (c).

Sec. 18. (a) One-half (1/2) of each adopting county's certified distribution for a calendar year shall be distributed from the county's account established under section 16 of this chapter to the appropriate county treasurer on May 1 and the remaining one-half (1/2) on November 1 of that calendar year.

(b) All certified distributions from an account established under section 16 of this chapter must be made by warrants issued by the auditor of state to the treasurer of state ordering the appropriate payments.

Sec. 19. (a) The certified distribution received by a county treasurer shall, in the manner prescribed in this section, be allocated, distributed, and used by the civil taxing units of the

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1 county.

2 (b) The sum of:

- 3 (1) sixty-seven percent (67%) of the certified distribution; and
 4 (2) any part of thirteen percent (13%) of the certified
 5 distribution that is not designated for distribution under
 6 section 22 of this chapter;

7 shall, subject to section 27 of this chapter, be used to replace the
 8 revenue lost from granting additional property tax replacement
 9 credits under this chapter against the part of the total county tax
 10 levy (as defined in IC 6-1.1-21-2) imposed by the civil taxing units
 11 in the county.

12 (c) The county treasurer shall distribute to each civil taxing unit
 13 in the county from the certified distribution set aside under
 14 subsection (b) an amount sufficient to replace the lost revenue from
 15 the property tax replacement credits granted under this chapter.
 16 If the amount of property tax replacement credits granted against
 17 tax liability (as defined in IC 6-1.1-21-5) exceeds the amount of the
 18 certified distribution set aside for revenue replacement, the share
 19 distributed to each civil taxing unit shall be proportionally reduced
 20 to the amount necessary to eliminate the excess.

21 (d) Distributions to civil taxing units shall be made at the same
 22 time and same manner as property taxes are distributed.

23 Sec. 20. (a) In determining the amount of property tax
 24 replacement credits that civil taxing units in a county are entitled
 25 to receive during a calendar year, the department of local
 26 government finance shall consider only property taxes imposed on
 27 tangible property assessed in that county.

28 (b) If a civil taxing unit is located in more than one (1) county
 29 and receives property tax replacement credits from one (1) or more
 30 of the counties, the property tax replacement credits received from
 31 each county shall be used only to reduce the property tax rates that
 32 are imposed in the county that distributed the property tax
 33 replacement credits.

34 (c) A civil taxing unit may use any property tax replacement
 35 credits that the civil taxing unit receives or is to receive during a
 36 particular year for any purpose for which the revenue lost from
 37 the property tax credits granted to taxpayers could have been used.

38 (d) Distributions received to replace revenue lost from the
 39 granting of additional property tax replacement credits under this
 40 chapter shall be treated as property taxes for the purposes of fixing
 41 a civil taxing unit's budget and for purposes of the property tax
 42 levy limits imposed by IC 6-1.1-18.5 and IC 6-1.1-18.6.

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1 **Sec. 21. Twenty percent (20%) of the certified distribution shall**
 2 **be distributed to the county for deposit in the county general fund.**
 3 **Money distributed under this section shall be treated as**
 4 **miscellaneous revenue and may be used for any general fund**
 5 **purpose.**

6 **Sec. 22. (a) This section applies to the cities and towns in a**
 7 **county adopting a property tax replacement credit under this**
 8 **chapter.**

9 **(b) The fiscal bodies of the cities and towns in a county may**
 10 **jointly adopt an ordinance to distribute part or all of the amount**
 11 **specified in section 19(b)(2) of this chapter under this section. If an**
 12 **ordinance is in effect under this section, the county treasurer shall**
 13 **distribute the percentage designated for distribution under this**
 14 **section among the cities and towns in the county in proportion to**
 15 **the part of the total county tax levy (as defined in IC 6-1.1-21-2)**
 16 **imposed in the county by the cities and towns in the county. Money**
 17 **distributed under this section shall be treated as miscellaneous**
 18 **revenue.**

19 **(c) The ordinance must specify the percentage to be distributed**
 20 **under this section.**

21 **(d) An ordinance adopted under this section must be adopted**
 22 **after January 1 and before September 20 of a year.**

23 **(e) The adoption, amendment, or repeal of an ordinance under**
 24 **this section takes effect on January 1 of the year immediately**
 25 **following the year in which the ordinance is adopted, amended, or**
 26 **repealed. The ordinance must specify the date that the ordinance**
 27 **takes effect.**

28 **(f) The fiscal bodies shall record all votes taken on ordinances**
 29 **under this section and immediately send by certified mail a**
 30 **certified copy of the results to the county auditor, the department,**
 31 **and the department of local government finance.**

32 **(g) An ordinance adopted or amended under this section**
 33 **remains in effect until repealed or amended in a later action under**
 34 **this section.**

35 **Sec. 23. (a) For purposes of this chapter, an individual is a**
 36 **resident of the county in which the individual:**

- 37 **(1) maintains a home, if the individual maintains only one (1)**
 38 **home in Indiana;**
- 39 **(2) if subdivision (1) does not apply, is registered to vote;**
- 40 **(3) if subdivisions (1) and (2) do not apply, registers a**
 41 **personal automobile; or**
- 42 **(4) if subdivisions (1), (2), and (3) do not apply, spends the**

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majority of the individual's time in Indiana during the taxable year in question.

(b) The residence or principal place of business or employment of an individual is to be determined on January 1 of the calendar year in which the individual's taxable year commences. If an individual changes the location of the individual's residence or principal place of employment or business to another county in Indiana during a calendar year, the individual's liability for property tax replacement income tax is not affected.

(c) Notwithstanding subsection (b), if an individual becomes a county taxpayer for purposes of IC 36-7-27 during a calendar year because the individual:

(1) changes the location of the individual's residence to a county in which the individual begins employment or business at a qualified economic development tax project (as defined in IC 36-7-27-9); or

(2) changes the location of the individual's principal place of employment or business to a qualified economic development tax project (as defined in IC 36-7-27-9) and does not reside in another county in which the property tax replacement income tax is in effect;

the individual's adjusted gross income attributable to employment or business at the qualified economic development tax project (as defined in IC 36-7-27-9) is taxable only by the county containing the qualified economic development tax project (as defined in IC 36-7-27-9).

Sec. 24. (a) The county fiscal body of an adopting county may adopt an ordinance to enter into reciprocity agreements with the taxing authority of any city, town, municipality, county, or other similar local governmental entity of any other state. The reciprocity agreement must provide that the income of resident county taxpayers is exempt from income taxation by the other local governmental entity to the extent that income of the residents of the other local governmental entity is exempt from the property tax replacement income tax in the adopting county.

(b) A reciprocity agreement entered into under subsection (a) may not become effective until it is also made effective in the other local governmental entity that is a party to the agreement.

(c) The form and effective date of any reciprocity agreement described in this section must be approved by the department.

Sec. 25. (a) Except as otherwise provided in this chapter, all provisions of the adjusted gross income tax law (IC 6-3)

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concerning:

- (1) definitions;
- (2) declarations of estimated tax;
- (3) filing of returns;
- (4) remittances;
- (5) incorporation of the provisions of the Internal Revenue Code;
- (6) penalties and interest;
- (7) exclusion of military pay credits for withholding; and
- (8) exemptions and deductions;

apply to the imposition, collection, and administration of the property tax replacement income tax imposed in an adopting county under this chapter.

(b) The provisions of IC 6-3-1-3.5(a)(5), IC 6-3-3-3, IC 6-3-3-5, and IC 6-3-5-1 do not apply to the property tax replacement income tax imposed under this chapter.

(c) Notwithstanding subsections (a) and (b), each employer shall report to the department the amount of withholdings for a property tax replacement income tax attributable to each county. The report shall be submitted annually along with the employer's annual withholding report.

Sec. 26. Before February 1 of each year, the department shall submit a report to each county treasurer indicating the balance in the county's property tax replacement income tax account as of the end of the preceding year.

Sec. 27. (a) This section applies to a county after the year in which a property tax replacement credit tax is imposed in the county and in each year thereafter in which the county receives a certified distribution under this chapter.

(b) Each year the taxpayers of a county shall receive a credit for property tax replacement in the amount determined under this section for the taxpayer's tax liability (as defined in IC 6-1.1-21-5) for taxes that:

- (1) under IC 6-1.1-22-9 are due and payable in May and November of that year; or
- (2) under IC 6-1.1-22-9.5 are due in installments established by the department of local government finance for that year.

The credit shall be applied to each installment of taxes.

(c) The dollar amount of the credit for each taxpayer is the amount determined under STEP NINE of the following formula, based on the data furnished by the department of local government finance:

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STEP ONE: Determine the part of the total county tax levy (as defined in IC 6-1.1-21-2) imposed by civil taxing units in the county in the current year.

STEP TWO: Determine sixty-seven percent (67%) of the amount of the certified distribution for the current year.

STEP THREE: Divide the STEP TWO amount by the STEP ONE amount, rounding down to the nearest one cent (\$0.01).

STEP FOUR: Multiply the STEP THREE amount by the taxpayer's tax liability (as defined in IC 6-1.1-21-5) for the current year.

STEP FIVE: Determine the part of the total county tax levy (as defined in IC 6-1.1-21-2) imposed in the county by cities and towns in the county in the current year.

STEP SIX: Determine the part of thirteen percent (13%) of the certified distribution for the current year that is not designated for distribution under section 22 of this chapter.

STEP SEVEN: Divide the STEP SIX amount by the STEP FIVE amount, rounding down to the nearest one cent (\$0.01).

STEP EIGHT: Determine:

(A) zero dollars (\$0) if the taxpayer's property subject to property taxation is located in an unincorporated area of the county; or

(B) the product of the STEP SEVEN amount multiplied by the taxpayer's tax liability (as defined in IC 6-1.1-21-5) for property taxes, imposed in the current year by the city or town in which the taxpayer's property is located.

STEP NINE: Determine the sum of the STEP FOUR result and the STEP EIGHT result.

(d) The property tax replacement credit granted under this section shall be applied before the application of the following:

(1) Homestead credits for which the taxpayer is eligible under IC 6-1.1-20.9.

(2) Property tax replacement credits for which the taxpayer is eligible under IC 6-1.1-21-5.

SECTION 4. IC 6-8.1-1-1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2005]: Sec. 1. "Listed taxes" or "taxes" includes only the pari-mutuel taxes (IC 4-31-9-3 through IC 4-31-9-5); the riverboat admissions tax (IC 4-33-12); the riverboat wagering tax (IC 4-33-13); the gross income tax (IC 6-2.1) (repealed); the utility receipts tax (IC 6-2.3); the state gross retail and use taxes (IC 6-2.5); the adjusted gross income tax (IC 6-3); the supplemental net income tax (IC 6-3-8) (repealed); the county adjusted gross income tax

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(IC 6-3.5-1.1); the county option income tax (IC 6-3.5-6); the county economic development income tax (IC 6-3.5-7); the municipal option income tax (IC 6-3.5-8); **the property tax replacement income tax (IC 6-3.5-9)**; the auto rental excise tax (IC 6-6-9); the financial institutions tax (IC 6-5.5); the gasoline tax (IC 6-6-1.1); the alternative fuel permit fee (IC 6-6-2.1); the special fuel tax (IC 6-6-2.5); the motor carrier fuel tax (IC 6-6-4.1); a motor fuel tax collected under a reciprocal agreement under IC 6-8.1-3; the motor vehicle excise tax (IC 6-6-5); the commercial vehicle excise tax (IC 6-6-5.5); the hazardous waste disposal tax (IC 6-6-6.6); the cigarette tax (IC 6-7-1); the beer excise tax (IC 7.1-4-2); the liquor excise tax (IC 7.1-4-3); the wine excise tax (IC 7.1-4-4); the hard cider excise tax (IC 7.1-4-4.5); the malt excise tax (IC 7.1-4-5); the petroleum severance tax (IC 6-8-1); the various innkeeper's taxes (IC 6-9); the various county food and beverage taxes (IC 6-9); the county admissions tax (IC 6-9-13 and IC 6-9-28); the oil inspection fee (IC 16-44-2); the emergency and hazardous chemical inventory form fee (IC 6-6-10); the penalties assessed for oversize vehicles (IC 9-20-3 and IC 9-30); the fees and penalties assessed for overweight vehicles (IC 9-20-4 and IC 9-30); the underground storage tank fee (IC 13-23); the solid waste management fee (IC 13-20-22); and any other tax or fee that the department is required to collect or administer.

SECTION 5. [EFFECTIVE UPON PASSAGE] **(a) The definitions in IC 6-3.5-9 apply throughout this SECTION.**

(b) Notwithstanding IC 6-3.5-9, as added by this act, a county fiscal body may adopt an ordinance to impose a property tax replacement income tax after March 31, 2005, and before June 1, 2005.

(c) This SECTION expires July 1, 2006.

SECTION 6. **An emergency is declared for this act.**

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